

Message Text

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SUBJECT: U.S. DRAFT PROPOSAL FOR AN OECD GROUP OF EXPERTS
ON COMMON ACCOUNTING GUIDELINES

REF: PARIS 35944 DATED DECEMBER 8, 1977

1. THE FOLLOWING IS THE TEXT OF A U.S. GOVERNMENT NOTE FOR
SUBMISSION AT THE APRIL 12-13 MEETING OF THE OECD COMMITTEE
ON INTERNATIONAL INVESTMENT AND MULTINATIONAL ENTERPRISES
(CIME). THIS SUBMISSION WILL BE MADE UNDER CIME AGENDA
ITEM 6, INTERNATIONAL ACCOUNTING STANDARDS, AND HAS BEEN
GIVEN THE OECD DOCUMENT NUMBER IME(78)6. EMBASSY OFFICIALS
ARE REQUESTED TO COMMUNICATE THE TEXT OF THIS PROPOSAL TO
APPROPRIATE HOST GOVERNMENT OFFICIALS FOR REVIEW PRIOR TO
THE CIME MEETING. OECD MISSION PARIS IS REQUESTED TO PASS
TEXT TO WITHERELL IN THE OECD SECRETARIAT.

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2. BEGIN TEXT:

- DRAFT PROPOSAL FOR TERMS OF REFERENCE FOR AN OECD GROUP
- OF EXPERTS ON COMMON ACCOUNTING GUIDELINES
- AT LAST DECEMBER'S MEETING OF THE CIME MANY MEMBER

COUNTRIES DISCUSSED THE RECENT U.N. REPORT OF THE GROUP OF EXPERTS ON INTERNATIONAL STANDARDS OF ACCOUNTING AND REPORTING. THIS U.N. REPORT CONCENTRATED PRIMARILY ON THE TRANSPARENCY OF MNE OPERATIONS AND THE MINIMUM DISCLOSURE REQUIREMENTS BY MNES. THE CIME CONCLUDED, HOWEVER, THAT THERE WAS A FUNDAMENTAL REQUIREMENT FOR INCREASED COMPARABILITY OF THE DATA AND HARMONIZATION OF ACCOUNTING STANDARDS UNDER WHICH ENTERPRISES REPORT. THIS ISSUE IS OF CONSIDERABLE IMPORTANCE TO THE OECD, WHOSE MEMBERS ARE BOTH HOME AND HOST COUNTRIES FOR FOREIGN INVESTMENT. THEREFORE, THE UNITED STATES PROPOSED, AT THE FIFTEENTH MEETING OF CIME, THAT ACTION BY THE CIME ON ACCOUNTING ISSUES BE CONSIDERED.

- THE INTEREST OF OECD COUNTRIES IN UNIFORM ACCOUNTING GUIDELINES FOR ALL ENTERPRISES IS A RESULT OF THE INTERDEPENDENCE OF THEIR ECONOMIES. THERE IS A GROWING PERCEPTION THAT LACK OF UNIFORMITY IS INCREASINGLY COSTLY FOR MEMBER STATES AND ENTERPRISES ALIKE. THIS LACK OF UNIFORMITY AFFECTS INTERNATIONAL INVESTMENT BY LIMITING THE USEFULNESS OF INFORMATION FLOWS AND THE EFFECTIVENESS OF ECONOMIC FORECASTING. IN TURN, THIS AFFECTS POLICY ACTIONS THAT ARE BASED ON INCOMPLETE OR INACCURATE INVESTMENT INFORMATION. LACK OF COMPARABILITY AND HARMONIZATION ALSO MAY DISTORT THE INTERNATIONAL MARKET'S ABILITY TO SEND THE PROPER MARKET SIGNALS TO INTERNATIONAL INVESTORS.

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ACCOUNTING COSTS TO FIRMS ARE ALSO INCREASED.

- INTERNATIONAL AND NATIONAL PROFESSIONAL ACCOUNTING GROUPS AS WELL AS MEMBER STATES HAVE RECOGNIZED THE NEED FOR COMPARABILITY AND HARMONIZATION. THEIR EFFORTS HAVE BEEN LIMITED BY THE BROAD VARIATIONS OF NATIONAL ACCOUNTING STANDARDS, PROCEDURES AND PRINCIPLES. THESE VARIATIONS RESULT FROM ADMINISTRATIVE REGULATIONS, PROFESSIONAL ACCOUNTING PRACTICES AND LEGAL REQUIREMENTS. PIONEERING EFFORTS IN PUBLIC AND PRIVATE SECTORS HAVE BEEN TENTATIVE AND UNCOORDINATED. THE CIME BELIEVES COORDINATED INTERNATIONAL ACTION IS REQUIRED TO PROVIDE BASIC GUIDELINES LEADING TO COMPARABILITY AND HARMONIZATION. THE OECD, AS THE PRINCIPAL DEVELOPED COUNTRY FORUM, IS THE APPROPRIATE ORGANIZATION TO INITIATE FURTHER WORK ON THE COMPARABILITY OF ACCOUNTING DATA AND HARMONIZATION OF ACCOUNTING STANDARDS AMONG ITS MEMBERS.

- THE CIME, THEREFORE, MAKES THE FOLLOWING DECISION:

1. AN INTERGOVERNMENTAL EXPERTS GROUP SHOULD BE FORMED WITHIN THE OECD TO RECOMMEND GUIDELINES FOR COMPARA-

BILITY OF ACCOUNTING DATA AND HARMONIZATION OF

ACCOUNTING STANDARDS, TO INCLUDE PRINCIPLES AND PRACTICES, AMONG MEMBER COUNTRIES. THE GROUP SHOULD BE RESPONSIBLE TO THE CIME SO AS TO MAINTAIN A DIRECT LINKAGE BETWEEN ITS WORK AND THE CIME'S RESPONSIBILITIES. THE GROUP SHOULD BE COMPOSED OF EXPERTS WITH A BROAD VIEW OF THE ISSUE. GOVERNMENTS ARE ENCOURAGED TO INCLUDE IN THEIR DELEGATIONS PRIVATE SECTOR REPRESENTATIVES FROM BUSINESS, ACADEMIA, AND LABOR AS WELL AS PROFESSIONAL ACCOUNTANTS. THE EXPERT GROUP ITSELF MIGHT FIND IT USEFUL TO CONSIDER ESTABLISHING AN ADVISORY COMMITTEE OF ACCOUNTING, BUSINESS AND ACADEMIC EXPERTS FROM OECD

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COUNTRIES WHO MIGHT STUDY IN DETAIL THE SPECIFIC PROBLEMS DESIGNATED BY THE EXPERTS GROUP.

2. AS A FIRST PRIORITY, THE EXPERTS GROUP SHOULD REVIEW PRIVATE AND OFFICIAL ATTEMPTS TO DEVELOP CONCEPTS OF COMPARABILITY AND HARMONIZATION AND CONSIDER THE FEASIBILITY AND PROBLEMS ASSOCIATED WITH ESTABLISHING THESE CONCEPTS AMONG OECD COUNTRIES. THE GROUP SHOULD INFORM ITSELF OF AND BEAR IN MIND THE EFFORTS TOWARDS COMPARABILITY AND HARMONIZATION ALREADY BEING CONDUCTED BY INTERGOVERNMENTAL BODIES AND INTERNATIONAL PUBLIC AND PROFESSIONAL ORGANIZATIONS, PARTICULARLY THE EFFORTS OF THE EUROPEAN ECONOMIC COMMUNITY AND INTERNATIONAL ACCOUNTING STANDARDS COMMITTEE (IASC).

3. THE GROUP SHOULD PARTICULARLY FOCUS ON THE WORK NEEDED TO ASSURE THE COMPARABILITY AND HARMONIZATION ASSOCIATED WITH THE LIST OF DISCLOSURE ITEMS CONTAINED IN THE OECD'S GUIDELINES FOR MULTINATIONAL ENTERPRISES. THE GROUP SHOULD DRAFT A SET OF WORK PRIORITIES AND IN THE PROCESS REFINE THESE GENERAL TERMS OF REFERENCE. THE GROUP SHOULD IDENTIFY THOSE DATA AND STANDARDS WHERE INTERNATIONAL GUIDELINES ARE MOST DESIRABLE AND PROVIDE RECOMMENDATIONS TO THE CIME. THESE RECOMMENDATIONS SHOULD BE APPLICABLE TO ALL ENTERPRISES.

4. THE EXPERT GROUP SHOULD REPORT FROM TIME TO TIME TO THE CIME AND PROVIDE A FINAL REPORT IN SEPTEMBER, 1979. AMONG OTHER THINGS THE REPORT SHOULD EXAMINE THE ADVANTAGES OF RETAINING A PERMANENT CIME WORKING GROUP ON ACCOUNTING STANDARDS. THE EXPERT GROUP

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SHOULD ALSO CONSIDER THE IMPLEMENTATION PROCESS OF
ANY RECOMMENDATIONS, TAKING INTO ACCOUNT THE DIFFER-
ING PROCESSES AMONG OECD MEMBER COUNTRIES FOR INSTI-
TUTING ACCOUNTING STANDARDIZATION. COOPER

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